

MODERNIZATION OF SOCIAL SECURITY AND MEDICARE

HEARING BEFORE THE SPECIAL COMMITTEE ON AGING UNITED STATES SENATE ONE HUNDRED SEVENTH CONGRESS FIRST SESSION

WASHINGTON, DC

APRIL 19, 2001

Serial No. 107-2

Printed for the use of the Special Committee on Aging



U.S. GOVERNMENT PRINTING OFFICE

73-339

WASHINGTON : 2001

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC. 20402

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MODERNIZATION OF SOCIAL SECURITY AND MEDICARE

THURSDAY, APRIL 19, 2001

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The committee met, pursuant to notice, at 10:01 a.m., Foothill High School auditorium, Las Vegas, NV, Hon. Harry Reid presiding.

Present: Senator Harry Reid.

OPENING STATEMENT OF SENATOR HARRY REID

Senator REID. This Senate Aging Committee is called to order. I appreciate everyone being here. Foothill High School is certainly unique to me. I have been here a couple times; but this, as you know, is an extension of old Basic High School. I guess we are going to have even a third high school in Henderson before long. So it's really a pleasure for me to be here, a place where I went to high school.

It's probably safe to say that most of you in this room can't remember what life was like prior to the creation of the social security program in 1935. It's also safe to say that those of you who do remember what it was like prior to 1935 won't admit it.

In the 1930's growing old was often correlated with being poor. Many men and women at the time faced what was termed the stark terror of penniless, helplessness, old age. But President Roosevelt, Franklin Roosevelt changed that when he signed the Social Security Act of 1935 and created a program that provided basic measure retirement security for all Americans. Almost 30 years later, President Johnson signed the Medicare program into law. For the first time in the history of our nation, Americans no longer had to worry about depleting their life savings to cover medical associated with being sick. Together, the Social Security and Medicare programs have grown to be essential facets of modern life. One in six Americans, almost 45 million Americans, receive social security benefits.

More than 39 million men and women are enrolled in Medicare, and that number is projected to nearly double to 77 million in the next 30 years. Most of you young folks probably are thinking that it will be years or maybe even decades before you should care about Social Security or Medicare. However, the reality is that social security and Medicare programs are facing several new challenges. These challenges must be addressed in the near future. And how they are addressed will affect every one of us in this room. As a

result, everyone here today from 16 to 77 has a stake in the debate over the future of the Medicare and the Social Security programs.

Social Security/Medicare are what we call pay-as-you-go programs. This means today's workers pay for tomorrow's retirees. Right now the government collects more money in premiums and taxes than it must pay to support Social Security and Medicare beneficiaries. However, this is expected to change as early as 2009 or 2010 when the costs supporting Medicare and Social Security beneficiaries will become greater than the amount of money coming into the program. This will occur because, as the baby boom generation nears retirement, there will be more retirees than workers for the first time in our nation's history.

In order to keep these programs viable for future generations, we will be confronted with a series of tough choices. How do we continue to finance the Medicare and Social Security programs? Do we raise taxes? Increase retirement age? How do we update the Medicare program to make sure it keeps pace with advances in modern medicine? Do we add a Medicare prescription drug benefit? If we do, how do we do it? Well, there are a number of different proposals that would address some or all of these issues. The purposes of today's hearing is not to debate the merits of these proposals, but to explain why you should take an interest in the future of these two programs.

We begin today's hearing—I mention that most of you probably could not remember what life was like prior to the creation of Social Security or Medicare. So before we hear from our witnesses, let's take a moment to consider what your lives would be like today without these programs.

Many of us are looking forward to graduating high school and beginning your lives as adults. This will likely involve moving out of your own homes, living independently from your parents. But what if you had to consider supporting your parents in their retirement, if it was up to you, there was no other program? What if your parents and grandparents had to move in with you? What if one of your parents or grandparents were to become seriously ill or disabled? How would you pay for these medical expenses? Would you have to use your money that you had saved to go to college? Would they have to deplete their life savings to cover these expenses? What if there were no safety net or savings to fall back on? What if after school today, you were to get into your car and get into an accident, a car accident, or other type of accident that left you permanently disabled? I talked to one young lady as I came in today, she broke her leg skate boarding. She is going to be well. The cast is going to come off today or tomorrow. But some people, when injured, they don't get well. That's the way they remain the rest of their lives. How would you pay for the cost of your disability? And what would you do if the accident left you unable to work or provide for yourself? It's probably not something you think about, certainly not every day. But the fact of the matter is that Social Security and Medicare programs impact all of your daily lives.

I am pleased to be joined today by four distinguished guests who will help me illustrate how these programs impact their lives and why the fate of these programs will affect each and every one of us. After all our witnesses complete their testimony, we will have

the opportunity to ask questions. So write your questions on your question cards. If we don't have time to respond today because of the time problems, I will make sure that I prepare a response for each of you and respond to you by mail.

It's my pleasure to introduce someone I have known for a long time, Carla Sloan, the Nevada State Director of the American Association of Retired Persons; AARP. The AARP is the nation's largest organization for people aged 50. There is not a close second. Almost a quarter of a million Nevadans are members of AARP.

Carla Sloan has a long history. She spent a lifetime working on behalf of Nevada seniors. She served as the Administrator of Nevada Division of Aging Services among other things. She spent 10 years working with senior programs with the Las Vegas Housing Authority. Ms. Sloan will give us a brief insight in one of the biggest issues facing the Medicare program today, the need to update the program to include a prescription drug benefit.

Carla.

**STATEMENT OF CARLA SLOAN, NEVADA STATE DIRECTOR,
AMERICAN ASSOCIATION OF RETIRED PERSONS (AARP)**

Ms. SLOAN. Thank you, Senator.

Senator REID. Move that microphone over, because they are having a little trouble hearing in the back.

Ms. SLOAN. OK. How is that?

Senator REID. Perfect.

Ms. SLOAN. Good.

I am Carla Sloan, AARP State Director for Nevada. And the Association appreciates the opportunity to present our views regarding the future of the Social Security and Medicare programs. And since neither program is in crisis, we have some time to craft a thoughtful solution. Hearings such as this one provide our elected officials and the public with an opportunity to explore ways to strengthen these important inter-generational programs.

Social Security and Medicare have brought financial security and piece of mind to today's older Americans and their families. We must work together to ensure that future generations can count on these programs as well.

According to the latest report by the trustees, Social Security has sufficient assets to continue paying full benefits on time until 2038 and over 70 percent of benefits for decades thereafter. The Medicare Hospital Insurance Trust Fund has sufficient assets to continue paying benefits until 2029, 4 years longer than last years' projections. These dates are a substantial improvement from the past and are attainable in part to a strong economy.

Let me briefly turn to the issue of prescription drug coverage in Medicare. In the 36 years since the Medicare program began, prescription drugs have become essential in the treatment and prevention of disease. According to a 1998 *Wall Street Journal* poll, 80 percent of retirees use prescription drugs every day. The average Medicare beneficiary takes 18 prescriptions a year. Yet, Medicare does not offer prescription drug coverage to help pay for the costs of these necessary medications. That is why AARP believes that modernizing Medicare to keep up with advances in medicine is a must. That means that Medicare should include an affordable pre-

scription drug benefit that must be available to all Medicare beneficiaries.

Another program older Americans depend on is Social Security. And AARP acknowledges that Social Security will need adjustments in order to keep paying full benefits after 2038. In the past reducing benefits or adding revenue have restored Social Security's solvency until, however, we currently find ourselves in a favorable economic and budgetary environment with surpluses in both the Social Security and non-Social Security portions of the budget. AARP is pleased that Congress and the President have agreed that the surplus in the Social Security Trust Fund should be as used exclusively for Social Security.

AARP looks forward to participating on a bipartisan basis with our nation's elected officials to achieve a solution to Social Security and Medicare's future. This solution should maintain the Social Security programs, guiding social insurance principles, ensure benefit adequacy, and achieve solvency in a fair and timely manner.

Thank you, again, for this opportunity to testify.

Senator REID. Carla, thank you very much.

I receive every day literally hundreds of letters, phone calls and e-mails from seniors who are overwhelmed by the high price of prescription drugs. Some seniors on Medicare are forced to choose between paying for the prescription drugs and paying for food or rent or their power bill.

Mrs. Jackie Ridley is a retired college professor who has been a senior advocate for about 25 years. In addition to being a member of the Nevada Commission on Aging, she volunteers as a counselor for the Medicare programs. She's active in the Nevada Senior Coalition and writes a column for the Clark County Chapter of the National Council of Senior Citizens.

To show her integrity, to show her strong feelings about this issue, Jackie is one of a kind. She's had some terribly difficult personal losses in her recent days. The fact is just this Monday, she lost her husband. It was very easy for her to not come today, but because of her wanting to communicate with young people, she's here.

Jackie, thank you very much.

STATEMENT OF JACKIE RIDLEY, MEMBER, NEVADA COMMISSION ON AGING

Ms. RIDLEY. Thank you, Senator. Thank you for the opportunity to talk to you today on the subject of prescription drugs to seniors.

I am 71 years old, and I have been working with seniors for a long time. I can speak about the prescription drug program from two points of view; my own personal experience, and that of many seniors who I have talked to as a Medicare counselor for the last 5 years.

My husband and I have ongoing medical problems such as heart disease, high blood pressure and diabetes and must take a large number of drugs. He was taking 12 separate drugs, and I have 14 separate drugs which we have to take every day. Now, we belong to a health maintenance organization, and like many such programs, it has a prescription drug plan, but there are yearly limits on how much prescriptions will be covered.

My husband went into the hospital with congestive heart failure in July a couple of years ago just as his limit had been reached. When he was discharged, his new drug requirements, when added to his regular maintenance drugs, came to over \$1,000 a month. Like many seniors, our income is just over the poverty level, and we could not find help anyplace. You wonder how did we manage. Well, we were fortunate. We got some samples from the doctor's office. We stretched out some drugs by taking them less often than prescribed. We used our limited emergency reserve. And knowing that we might exceed the limit, we had stocked ahead some drugs by renewing them as soon as it was allowed which is a few days or so. Each time we were allowed to stockpile some. We had some drugs that we were no longer using that could be substituted for the new ones. And we were both on a few of the same drugs so we could share those.

We knew that we would be back on the insurance program at the first of the year. But not all seniors have these options. At the present time, we pay an additional premium each month which gives us an extra \$1,000 of drug coverage a year. Also, our HMO now offers unlimited generic drugs which is a big help. Of course, all the latest new drugs are not generic, and they are very expensive.

As a Medicare counselor, some of my most difficult advising has been in relationship to drugs. Some seniors have to make some unacceptable choice such as choosing between drugs and other necessities, like food. There are a few programs for seniors such as the one the State of Nevada has started and several drug companies have which will supply drugs for those in need with very low income. For those above the poverty line, there is little help available. Some can make a trip to Mexico or Canada. Some receive a supply of drugs from a neighbor or friend who has died and use their unused drugs. These are not really legal ways, but at least the drugs are not wasted. It is sad and frustrating to try and have someone find an alternative when there is no good one.

One of my major concerns is that any new Federal prescription drug program will once again be income limited. When the cost of drugs are deducted from someone's budget, there is insufficient money to live on. If income must be a factor, then the cost of prescriptions should be deducted before the income cutoff is made.

Thank you for allowing me to share my thoughts with you today.

Senator REID. Jackie, the one thing that I want these young people to understand, it's not going to be long that they are going to be as old as we are. And you young folks have to focus on the fact that time goes so quickly. And I can remember when I was at Basic High School, and when I was a senior in high school, I would see people come to ball games and they had letter sweaters on, they probably graduated 3 years ahead of time, what old people. What are they doing around here? Well, it really changes your perspective. So, the older you get, the quicker time goes, and the more you understand that just a few years goes very quickly.

Anyway, thank you very much, Jackie, for being here.

We are going to now hear from Hans Riemer. Hans is a founding chairman of 2030. The 2030 Center is a public policy organization that advances economic agenda for young workers. The 2030 Cen-

ter addresses budget issues such as Social Security, health care, and tax deferments. Hans has been featured on media outlets ranging from National Public Radio to CNN to the news part of CNN, "Inside Politics" on CNN. He writes op ed pieces, which are editorials appearing in newspapers around the country. He's described as an, and I quote, an eminent D.C. force fighting for Social Security, end quote, by a number of newspapers. This particular quote I just gave you was from the *Oakland Tribune*. Hans has been recognized for his work in 2000 with an invitation to speak at the Democratic National Convention during prime time television where he discussed the impact of budget policy upon younger generations.

Hans, I am very appreciative for your being here.

He had to travel from Washington, D.C. to be with us here today.

Hans.

STATEMENT OF HANS RIEMER, FOUNDING CHAIRMAN OF 2030 CENTER

Mr. RIEMER. Thank you, Senator Reid, for the opportunity to speak here today. My name is Hans Riemer, and I run the 2030 Center, which is a public policy group for young people, and we know we need our voice in Washington and your participation.

I think it is great to see a positive constructive dialog here today between high school seniors and senior citizens. It is discussions like this that remind me how we are all in it together, all generations, young and old.

Now, a lot of young people have never lived in America that did not have a strong Social Security and Medicare system. As a result, trying to manage life without these two programs is pretty near impossible. Yet it wasn't that long ago, as recently as the 1960's, when one in three older Americans lived in poverty. Today, thanks to Social Security and Medicare, that number is only one in ten. In other words, over only the past few decades, millions and millions of older Americans have been lifted out of poverty by Social Security and Medicare. I believe that is one of the greatest success stories of our government during this century.

But Social Security benefits do more than just help with the bills. They enable older Americans to live with independence and dignity. How does that affect us as young people? Well, what would happen if our grandparents had to look to their children to meet their basic needs. Wouldn't that have an impact on their grandchildren? Indeed, it would. If it weren't for Social Security, many families would have to make impossible choices whether to care for grandparents or, for example, to pay for their children's college education. That's a terrible choice. Without Social Security, in fact, a lot of families would go back to the way things were not too long ago, every generation living under one roof. Think about that for a second. Without Social Security, your grandparents might have to live in your room and just when you finally got rid of your little sister and the bunk bed, too.

Now, I know we all love our grandparents dearly, but we can still love them and want them to have an independent life, too. This might sound a little funny, but how much would you be willing to pay in order to make sure your grandparents did not have to come

home and live in your room. Well, I bet most of you would be willing to pay about what you are paying to Social Security or will be soon. And if you look at it from that perspective, getting a benefit in retirement is just icing on the cake. Well, in this way, Social Security actually promotes independent all generations, young and old. That's what I mean by we are all in it together.

Now, some say that young people should not support Social Security. Perhaps these individuals do not fully appreciate the progress we have made thanks to these programs. Perhaps they already live in the same room as their grandparents and think should you, too. I'm not sure. But what they propose is that young people should take the money they are now paying into Social Security and invest it on their own. Now, I am the first person to encourage everyone, and particularly young adults, to invest for the future. But the important thing to keep in mind is that the money you are paying into Social Security today is being used for benefits; benefits that help people stay out of poverty, provide them with independence and dignity. And if you weren't paying in Social Security, the government could not provide these benefits.

Of course, it's also not just about retirees. The money you are paying in also helps a lot of young people during their time of need. Across the country, there are about three million people under the age of 18 who collect Social Security benefits every month. And, no, they are not retired 17 year old former CEOs of Internet startups. Many of them come from a family where a parent has died or has become disabled. We probably all know a family in the audience perhaps there may even be a few of them where a parent has died. Well, that family is entitled to Social Security and just imagine how important that monthly check may be. So I hope you can see how Social Security is about independence for everyone, young and old alike. The money you are paying into Social Security is going to a good cause. That's the big picture. Please don't lose sight of it.

But it wouldn't be exactly fair if you had to pay into the fund and were never able to collect benefits. But there is no need to worry about that. Don't be tricked into thinking that Social Security is going to dry up like a desert creek. There will always be people paying into the system. And even if we didn't make any changes, benefits would be larger for you when you retire than they are for today's retirees. So rather than talk about how to get rid of Social Security in favor of private investments, I suggest we should talk about improving Social Security for young people; for example, those three million young people under age 18 who collect Social Security due to a tragic family situation. Once Social Security will continue to pay benefits past the age 18 so long as they were in college. That was a great program, but it was eliminated, and we should bring it back.

So let me close with the special comment for the older participants in this hearing—not you, Senator—but I know how deeply you care about your grandchildren and about all the young people coming after you. I know that when you think about Social Security, you are concerned about the future, what kind of legacy you will leave for future generations. Well, it should be clear by now that the future of Social Security is on the table. Young people

need your voice and your leadership if we are going to win this one. We need to fight together. Thank you.

Senator REID. Hans, as you were speaking and saying that you can't remember when there was no Social Security, others can't imagine such a time, I lived through a time recently in Congress where there were very powerful Members of Congress wanting to do away with both programs. And I carry with me in my wallet—and I never want to misquote anyone—it's getting a little weathered now—but I carry with me the knowledge that Social Security and Medicare is not necessarily always going to be here. A very powerful United States Senator, someone who ran for President of the United States by the name of Bob Dole said, and I quote, I was there fighting the fight, one of 12 voting against Medicare because we knew it wouldn't work in 1965. He said this a couple of years ago. Newt Gingrich, when he was Speaker of the House of Representatives said, now, we didn't get rid of it in round one because we don't think it is politically smart, but we believe Medicare is going to wither on the vine. The present house majority leader, Dick Armey from Texas says, Medicare has no place in a free world. Social Security is a rotten trick. I think we are going to have to bite the bullet in Social Security and phase it out over time.

So I want everyone here, especially you young folks to remember that there are people in Washington who are not on the band wagon yelling the laurels of Social Security and Medicare. Some people, some very powerful people in Washington would do away with both programs tomorrow if they had the chance.

We are going to now hear from a remarkable young man. Most people don't think of Social Security simply as a retirement program. Social Security is more, however, than just a retirement program. It provides families with disability and survivor protections. As has been indicated by Hans, one out of three Social Security recipients are not retirees. Our last witness today, Steve Samson, understands this as well if not better than anyone. He's been collecting supplemental security income, called SSI, benefits under Social Security disability program since he was a baby.

Steven was born 2 months before he should have been born. He weighed about 3½ pounds. His early birth and light weight didn't stop Steve from being the fighter that he is today. In fact, the nurses in the neonatal unit dubbed him "The Champ." He was sent home to his parents, two sisters and brother about a month after he was born, but then he only weighed 4½ pounds. It was short time after going home that Steven was diagnosed with cerebral palsy.

Steven attended The Variety School where he participated in everything from varsity sports to choir and school politics. And when he was in high school he was a member of the student council, held offices in student body; secretary/treasurer, vice president and president. During his senior year, Steve won the title of prom king. He's a remarkable young man. Those of us who serve in government know him because he's an advocate for many different causes. He is someone who is very politically active. He works in the campaigns tirelessly.

It's a pleasure for me to introduce to you Steven Samson.
Steven.

**STATEMENT OF STEVEN SAMSON, SSI AND MEDICAID
RECIPIENT**

Mr. SAMSON. Thank you, Senator, and good morning Senator Reid, faculty and students. My name is Steven Samson. Thank you for allowing me to come and speak to you today. It is of great importance that every American, young and old, be aware and concerned about Social Security. My name is Steven Samson. I am 24 years old and was born with cerebral palsy. Because of my handicap and condition, my parents were able to apply for SSI on my behalf. SSI is Social Security Supplemental Insurance. When you receive SSI, you also qualify for Medicaid. My father was a Vietnam veteran and has been a truck driver for over 25 years. My mom was a stay-at-home mom until I was about 8 years old. My older sister also has cerebral palsy. I have another sister who suffers from migraines and has lots of allergy problems. And I have another brother who is very athletic and has lots of allergy problems as well as manages to have minor injuries on a weekly basis. I guess you could say that my parents made us all active in church, school, and sporting activities. Of course, you also have to throw in all my doctor's appointments. I was seeing a pediatrician, a neurologist, an ophthalmologist, and my orthopedic surgeon. Then for a little extra spice, throw in my physical therapy, my sister's physical therapy, and my other sister's speech therapy. I guess you could say my mom was more as an attachment to the car instead of a stay-at-home mom. It's funny. [Laughter.]

My father often worked jobs with no medical insurance which is where SSI and Medicaid came to the rescue. But I was over two before my parents even heard of SSI. Also, at that time there were more conditions to receiving SSI. My sister was deemed not handicapped enough to receive benefits. She only has mild CP. Your eligibility is determined on your parents' income. There were many years that I did not qualify for SSI because my father made too much money. That was the case when I was 14. My father had a good job with insurance, but my doctor felt—at that time I needed a major operation on my hips and legs, so I had my surgery as well as in a body cast for a whole month. And let me tell you something, ladies and gentlemen, it was not fun.

Afterwards, I was in rehabilitation for a year and a half. But in September, my parents were informed that my medical benefits had been depleted back in January. Now, mind you, I had been going to therapy twice a week at \$159 a session. You do the math. The next week the hospital canceled my therapy, and a week later the bills came rolling in. They wanted their money now. My parents were forced to file bankruptcy. When I turned 18, I was able to apply for SSI as an independent adult. My family helps me manage my money so that I can pay my own way in life. Next month, I will have yet another surgery. SSI and Medicaid are there to make it possible. I would not have—with every year I need new braces. They run almost \$1,000 apiece. Every few years, I need a new walker. They cost between \$200 and \$400. Add to that, I need new glasses every 2 to 3 years. Without SSI and Medicaid, I would not have these essential items.

My last testimony turns to you, the seniors. When you turn 18, please register to vote and please vote responsibly. Do not allow

your government to play dice with Social Security. The stock market is not a sure-fire thing. It is gambling at its finest. Do not gamble with Social Security. We want Social Security to be here strong and secure for all generations now and in the future. Thank you. [Applause.]

Senator REID. Steve, thank you very much.

Mr. SAMSON. Thank you, Senator.

Senator REID. Steve is physically handicapped but not mentally handicapped. He's a brilliant young man, and I don't know how many of you recognize that he referred very rarely to his written statement. Most of it was simply from memory.

Social Security and Medicare programs represent an economic compact among generations. This hearing today, senior to senior, deals with the seniors that are interspersed throughout the audience with seniors here at Foothill High School. Today its workers pay for the benefits that their parents and grandparents receive. We must all work together to ensure that today's workers and their families will be able to depend on Social Security and Medicare during this entire century. Too often those seeking to dismantle the Social Security/Medicare programs try to stir fear in the younger generations that greedy seniors are eating up all their hard-earned benefits. This kind of divisiveness will only hurt our country. There is something very right about each generation working together to protect the generation of seniors who have given so much to our society.

Before we take questions, I would like to take a moment to thank my staff, especially, Caroline Slutsker who works with me on aging issues. She's here from Washington, along with the staff member from Senator Larry Craig of Idaho, who is the chairman of the aging committee. I am very happy that they have worked so hard, and they have come here. And their staff person is Janine Scott. And also the ranking member democrat on aging Senator John Breaux of Louisiana, they have allowed this hearing to take place for which I am very grateful. They weren't able to be with us today, but as I have indicated, Janine is with us and Phil Thevenet who both traveled here along with Caroline from Washington to help with this hearing.

We are going to now take questions for the next 20 minutes from anyone in the audience. And as I have indicated, any questions that we can't answer, I will make sure that we answer them in writing.

Caroline or Lelani, do we have the questions? Anyone has questions? I guess we didn't write anything. Anyone have any questions?

Yes?

Ms. NIELSON. I'm Taylor Nielson. And all my grandparents have passed away; therefore, my parents are next in line for Social Security, and they still have 20 years before they retire. Do you think that their take on Social Security is, since they are still working and earning money, why is it that they are not able to invest a small part of their Social Security into a low risk investment into the stock market and make their money work for them, make their Social Security money work for them? That's before they retire.

Senator REID. Sure. Steve responded to that briefly. Let me try it, and then we will have members of the panel respond to it because it is a very typical question. There has been a lot of bad information passed out that this fund is about to go broke and it's a terrible program. In fact, Social Security, if we don't put a penny into Social Security, it will still be OK. Everyone will draw 100 percent of benefits for the next 40 years. We need to do things make sure Social Security is strong and viable for more than 40 years. But we also hear from people all the time, why shouldn't I be able to invest my money in the stock market. Well, all you need to do is see what happened in the stock market in the last month. There is some people who have lost everything. In the past 60 days, there's been \$5 trillion lost in the stock market. These are people who have lost their homes, had their cars repossessed. People would have had their way of life changed as a result of the stock market.

It used to be that the stock market was just for a certain small group of people to invest. But it appeared so easy that—I watched on TV last night, a cab driver who has lost everything he had in the stock market. He is trying to determine if he should file bankruptcy, because he thought it would be easy. It is not easy. And Social Security has had a very strong growth pattern in the trust fund over the many years it's been in existence.

And I personally believe that investing the money in the stock market would be very, very bad. And also I say this—and some don't like me to say this, but I say it anyway—my father was probably as smart as anybody in this room, but he had no education. He didn't graduate from the eighth grade. How could my father have invested money in the stock market? And the fact is, if your parents make a bad investment, when they turn 65, we are going to be responsible to take care of them anyway. So I think that we have to be very, very cautious how we invest these moneys in the Social Security Trust Fund.

I would like to hear another panel member's response.

Hans.

Mr. RIEMER. Sure. You know, it's a question I hear a lot, and I appreciate your asking. I would argue there is two reasons; one is sort of philosophical, one is kind of practical. Philosophically, Social Security is not supposed to be just for people who are lucky or know how to invest. It is supposed to provide a basic benefit that is there for everyone regardless of whether they can hire a financial manager or pick the right stock. It needs to be a level of protection that will keep them from falling into poverty. And that's just not—it's fundamentally inconsistent with the idea of investing our own Social Security. And, you know, you start with a little piece and then it gets to be a bigger piece and pretty soon it's a slippery slope until the whole thing is being investment oriented.

The second reason is very practical. And I urge you to think not about Social Security as just me and my family, but also about everyone else in this room. If your parents or you or anyone in this room were to pull their money out of Social Security so they could invest it, well, that would leave less in the common pool for everyone else, and it would take a little money out of the checks of everyone else in this room. And we wouldn't consider that to be quite

fair, no. Everyone says, why can't I just make sure it only comes out of my benefit. You know, but, administratively we could never do that. But as the senator said, you know, you might make that point now and then you invested all your money in Amazon stock that you bought at 200 and now it's at 25. And who are you going to come knocking on the door to help you make up the difference?

And I can assure you, as a society, we are never going to let people starve in the streets. So I don't think that's—I understand where the question comes from. And I think practical and philosophically, it wouldn't be in the right direction.

Senator REID. Other questions?

Jackie, did you want to say something?

Ms. RIDLEY. I was just going to say, speaking from someone who is older, it sounds like you could do a real good job of investing. And we have already gone over that. But having lived all these years, I can tell you that most people do not spend money on investments. They always need their money to live on. If you gave people the option of investing, most of them would find another way to spend that money. When it is put in Social Security, they don't have that option. They are forced to save. And I think that we have to consider that also. Maybe you would be able to save your money and invest it and do a good job, but when you go over the whole spectrum of people, most of them would not be able to.

Senator REID. Yes?

Ms. LO. Shawn Lo. I have heard some facts from government teachers and whatnot saying that the rate of interest on social security money is only 2 percent. You can do better at any local bank if you just take some of your money out and stick it in that, you can get 4 percent or 6 percent return on there. So, as investments go, why is it that everyone thinks that everybody is going to invest in the stock market rather than putting it in a savings or CDs or bonds or some such thing. The stock market is not the only viable option.

Senator REID. First of all, I say this with all due respect; your teacher is wrong about the rate of growth of Social Security. I would also just reiterate what Hans said that the fact is that, you know, you take your money out and somebody else takes their money out and you invest yours in land and you invest ours in a CD and someone else invests theirs in the stock market and pretty soon we don't have a Social Security Trust Fund. What we have now is a trust fund. Money is collected, put in to this fund drawing interest so at the end of the day, when people need help, as Steve as an example, or somebody like my grandmother who used to call her check her old age pension check. Call it fancy name, whatever you want to call it, but these—my grandmother's old age pension check gave her independence. She had eight children, and she was not in good health all the time I remember her. She's the only grandparent I knew. But what gave her the independence was that check. She didn't have to depend on our children because that check came with a certain degree of independence.

And had you, and her, and him, and I invested our money some other way, my grandmother would not have had her old age pension check, and Steve would not have his monthly check to take care of things we have talked about.

Of course, Hans?

Mr. RIEMER. Here is a good exercise I might ask you to try. Call up Charles Schwab or Payne Webber or any of the investment brokers and ask them for a product, an investment product that will give you the following benefits: First of all, the rate of return needs to stay the same whether the stock market goes up or down. Second of all, your contribution also needs to provide you with disability insurance, not only for you, but for your whole family and also life insurance, and not only for you, but for your whole family. Your contribution needs to provide, not only benefits to your grandparents right now, but also benefits to you when you retire. And then see what kind of rate of return that they tell you they can give you, if any. Probably—well, realistically, in fact, such a product is not available anywhere in the market.

So I think we want to think about Social Security as a broader range of benefits, and it is not easy to think about a rate of return.

Second, as the Senator said, the 2 percent figure is simply false.

As I had mentioned earlier, even if we did nothing to fix Social Security, benefits for everyone in this room would be larger in real terms than the amount of money that you can pay toward rent, toward food, toward grocery bills, whatever, larger than they are thought. So for me, that's a good enough rate of return. I am comfortable with that.

Senator REID. We do have a number of individuals who don't want to stand and give us some questions:

Are you going to—I appreciate that. We are not going to need any Yucca Mountain. We are doing our best to stop it. I'm sorry. I didn't see that question.

"I don't understand how my grandma, who is on Social Security, should be suffering the way she is. She's divorced and retired and only gets \$180 a month. No one can survive on that. Also, my grandma got insurance so she can have a decent burial, so now they have lowered what she gets. Just recently, since they realized they were paying her \$6 a month extra, so they took it out of one check and she got only \$32 that month. The government is supposed to be taking care of our seniors, so what is going on?"

Carla, would you respond to that?

Ms. SLOAN. Well, to begin with, I would like to suggest that perhaps the student see one of us after the program. Your grandparent is likely eligible for the SSI benefits. That will raise the income above \$181. The reduction in income based on the change in income is part of the program. I think that's something that Steve spoke to very eloquently during his presentation; that it is a program that does have some means testing.

In addition to the Social Security program, there are other programs that help senior citizens. Senator Reid has long been a great advocate of the Older Americans Act funding programs, and those are programs that provide for services such as Meals on Wheels, programs such as Adult Day Care or Respite Care. So that in addition to the benefit—your question is how is the government providing for senior citizens—in addition to Social Security and Medicare, which are more the financial services, there are also services available at the community level that can help to increase independence and dignity and help to stretch those limited dollars.

Senator REID. Make sure that you follow-up on Carla's suggestion. Grab either one of my staff, Lelani, where are you? Lelani, Carla, Jackie—and talk to them when this hearing is over, and they will see if they can do something to help your grandmother.

I have a question—it's a little off track—it's about an appointment to the United States military academy. Again, Lelani can answer that for you.

Questions from the audience. Yes?

From the Audience. I would like to make a brief statement. I will be 84 next month, and I have Social Security now for 18 years. Without it, it would have been difficult to meet expenses. In fact, even with it. But I'd like to also say that Senator Reid has been one of the greatest benefactors of his constituents here in Nevada through the Older Americans Act that he's worked on various committees and in being a real fighter for Social Security and Medicare. So I just have one question. Something called Medicare assignment, that's when you have Social Security and a supplemental. I have noticed this year the doctors are reticent to give you a Medicare assignment due to some changes in the Medicare program. I don't know exactly what they are.

Senator REID. Jackie, can you answer that?

Ms. RIDLEY. Well, for those people who do not have a supplemental insurance, do not have any kind of HMO, in other words, all they have is Medicare, Medicare will pay 80 percent of what they call assignment. They have what they considered to be a fair price for a certain office call and procedure, whatever it is. And that's what they call assignment. Now, some doctors will accept assignment. If they do that, then you pay 20 percent.

Medicare is not free. We pay \$50 a month for Medicare to start with. Then there are co-pays and deductibles, so you either have to get a supplemental insurance or, if you belong to a health maintenance organization, you still have to pay money for it. I think sometimes people get the idea that we get all these things for free. That's not true, but they are reduced prices.

When you have assignments, that's what Medicare says the doctor should be charging for a certain procedure. Let's take an office call, for instance. He may say that he thinks it's worth \$125, and Medicare says, no, it's really only worth \$100. They will pay \$80, you pay \$20. But that doctor cannot charge you \$125 because Congress says he cannot charge more than 15 percent more than what Medicare allows. So he would be able to charge you an extra \$15. You would pay \$35 out of that bill. But he is restricted on the amount. Now, that's for doctor bills. So there are restrictions there.

Medicare is trying to keep these costs in line so the doctors don't charge outrageous fees. If we didn't have Medicare, you might go to the doctor and he might charge \$250 for an office call. So we do have those protections. That is what they mean by assignment.

Senator REID. And it's set up so, they don't go along with that, they can't take any Medicare patients. Prevented from taking all the Medicare patients.

Also, thank you very much for your kind compliments. There are so many programs we have worked on to help those people in their older years. We have a lot more to do. But the Old Americans Act is an example of things we have done to assist seniors; Meals on

Wheels programs, we have all kind of therapy programs that are now part of what we are allowed to pay for. In fact, something as unusual as music therapy is something I worked on to allow Medicare to cover, so we have made some progress.

This young man in the white shirt, please. You will have the last question.

From the Audience. My name is Andrew, and I only want to ask, would you define yourself as a socialist?

Senator REID. I'm sorry?

From the Audience. Would you define, would you see yourself as a socialist?

Senator Reid: Would I see myself as a socialist? Well, from your very slight accent, it appears that you have some exposure in some other country to socialism. Here in America, we have had very limited exposure to socialism. In Nevada as an example, you will be surprised to know that in 1920 in the Presidential election in that year—I'm sorry in the senatorial election of that year, we had a candidate that was a socialist that ran. They were—the socialist at that time were based in Fallon, Nevada. Socialists didn't do very well. Socialists haven't done very well in America. But I would describe myself as far from being socialist. I am a member of the Democratic party. I think I would be described as moderate within the Democratic party as all the voting records that they publish indicate that I am.

I think one of the strengths of America is our two-party system. We are the envy of much of the rest of the world. To form a government in Israel, or Italy, or England, they have a lot of difficulty, many times, because they have splinter parties. Before you have one more than 50, you have to make a deal sometimes, one would say, with the devil, and it makes it very, very difficult. In America, we don't have that. We have two parties, and it's worked out very well over the history of this country. And when there is a new election, the transition is very smooth even when there is a hotly contested election like the one we had this year where the winner got less votes than the loser. And when we had all the problems that we had in Florida, there wasn't a single arrest, there was nobody beaten up, no fires set. And when Bush was sworn in as President, it was just very smooth. That's because we are a nation based on law, not on what men think the law should be.

So, I appreciate your question very much. And I hope I answered it well.

Boys and girls, ladies and gentlemen, the five of us here have really enjoyed being here. This is kind of an experiment, this senior to senior program. The seniors here, I believe without question, understand the importance of Social Security, Medicare, Medicaid. I am not sure that you young people do. I hope that this hearing will give you a better feel of Social Security and why it is important for your parents and grandparents, why it is important for people like Steve who for reasons we don't really understand is handicapped and has relied on this program to allow him to lead a normal life. He is involved, as I have indicated, in many things. He doesn't complain much about problems he has. He mentioned to you very briefly that he has some surgery to go through. We were worried that he wouldn't be able to come here today in preparation for that

surgery. But he told us he will put off the surgery. It's important enough to me to communicate with young people about the importance of this program that I will put off my surgery. And as he indicated, this surgery, as difficult as it will be, is easier than some of surgeries he has been through before. He will not have a full body cast this time, only a half body cast for 3 or 4 months.

So I hope each of you young people go away from this class today understanding the Social Security is program that makes America the greatest country that it is.

Thank you very much for being here. This committee stands adjourned.

[Whereupon, at 10:57 a.m., the committee was adjourned.]

